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MINNESOTA STATE CAPITOL

LEGISLATIVE UPDATE

WITH SONNIE ELLIOT

The final weeks of the legislative session are moving quickly to an end. In the past few weeks, Cannabis legalization, Paid Family and Medical Leave, new business mandates and a number of new fees and taxes have been making their way through the house and Senate. Most will end up on the Governor's desk.

The House and Senate Republicans claim, if everything proposed becomes law, there will be an increase of taxes and fees of $9.5 billion. The Democrats do not dispute there will be increased taxes, but claim they are needed to fund the state's priorities.

One of the taxes proposed by the House and Senate Majorities is new to Minnesota. In fact, Minnesota would be the only state to impose this particular way of collecting taxes. Under the proposed Mandatory Worldwide Combined Reporting, corporate state tax liability would combine income of all of a company's global affiliates. Currently, Minnesota uses a formula that is based on "water's edge," if a company has affiliates out of the state of Minnesota. Under the proposal, the determination of income subject to apportionment would include all the companies that are operating worldwide that are part of that unitary group (not just income earned within the water's edge of the U.S.). This income would then be apportioned to Minnesota based on Minnesota's single sales factor to determine the amount due to Minnesota.

This may or may not result in tax increases for Minnesota as some corporations will pay less income tax in Minnesota if their foreign operations are less profitable. The Minnesota Chamber provided an analysis of the proposal.

Although there is no State General Levy increase specifically imposed on CI property, because of several exemptions to homestead and other tax categories, there will likely be shift onto the amount of taxation CI properties will need to pay of the levy.

Mandated Paid Family and Medical Leave (PFML) is also moving quickly through the process. The bill allows for partial wage replacement of 12 weeks for medical or pregnancy leave and 12 additional weeks for bonding, safety leave or family care. This will be paid through a payroll tax of the employer and employee. Current versions of the bill allow for a company to "opt out" of the program if they have an equal or better benefit set.

The Transportation Finance Bills contain hidden fees and taxes. The House version of the bill includes a 75 cent package delivery fee. The proposals also include a sales tax increase in the Metro of .4 to .75 percent and an increase in the motor vehicle sales tax.

BOMA St. Paul, along with others in the business community are opposing many of these new fees, taxes and mandates. However, many are expected to pass into law. The legislature is slated to end by May 22, 3032.